

## Regional Report: Manufacturing Leads the Way in the South

**With strong automotive and aerospace sectors, as well as highly developed workforce training programs, the South continues to attract business investment.**

Mark Crawford (Directory 2016)

Economic growth has been steady in the South in 2015, as the economy continues to rebound from the Great Recession. Projected job growth among the Southern States is in the 1 to 2 percent range.

States known for their energy production (such as Kentucky for coal and Louisiana for oil and gas) are experiencing less demand, which is leading to job layoffs in these industries. However, the surplus that is causing low oil and gas prices isn't all bad news — it actually helps chemical producers. For example, [Taiwan-based Formosa Petrochemical Corporation plans to develop a \\$9.4 billion industrial complex of ethane crackers in St. James Parish in Louisiana](#). There are also multiple projects under way in southwest Louisiana to liquefy and export domestically produced natural gas for use in energy generation overseas.

State governments continue to improve their business climates through new legislation, tax credits, and incentives. Alabama recently revamped its incentive programs, including the Alabama Jobs Act, which allows eligible companies that create at least 50 new jobs to receive a 3 percent jobs credit from the new employee wages after the first year, for a period up to 10 years. Kentucky's Angel Investment Tax Credit allows qualified investors to receive a tax credit of up to 50 percent of their investment in counties with high unemployment rates, or "enhanced counties," and 40 percent in all other counties.

"Tennessee is also on a roll," states Larry Gigerich, managing director for Ginovus, an Indianapolis-based site location firm. "Governor Haslam has done an excellent job of restructuring the state's incentive programs, launching a free community college program, investing heavily in infrastructure, and making changes to the state's tax code."

Another big attraction for employers is a state's right-to-work status. With the exception of Kentucky, all Southern States are right-to-work — although that may change soon. One of the most-watched gubernatorial races this year was in Kentucky. Republican businessman Matt Bevin, who won the election with more than 50 percent of the vote, made right-to-work a major part of his campaign in an appeal to job-creators. "Following the latest converts of Indiana, Michigan, and Wisconsin, Kentucky could be next," states John Boyd, principal with The Boyd Company, a location-consulting firm based in Princeton, N.J.

### Automotive

The key driver to the South's economy is manufacturing — especially automotive. The South continues to grow its number of auto assembly plants and supplier facilities. For example, Tennessee's automotive manufacturing industry includes three major assembly plants and automotive facilities in 80 of 95 counties. The state continues to invest in training for its automotive workers, who comprise one of the largest populations of automotive workers in the South.

For 2015, Alabama is on target to produce one million vehicles and nearly two million engines. Exports of Alabama-made vehicles and parts were valued at \$7.3 billion in 2014, an all-time high. Expansions in the state continue, with [Mercedes announcing a \\$1.3 billion, 300-job expansion to upgrade its Alabama facility for the production of next-generation SUVs](#).

Kentucky is another automotive stronghold. Through the third quarter of 2015, automotive-related businesses announced 41 expansions or new locations in Kentucky, accounting for more than 1,000 new jobs and \$770 million in projected investment. For example, [General Motors is investing \\$439 million in facility upgrades at its Corvette plant in Bowling Green](#) — following up an investment of \$135 million over the last four years at the plant.

Of course, where auto manufacturers go, suppliers follow. [Kamtek is investing \\$530 million in an expansion of its Alabama operation and SMP plans to build a \\$150 million, 700,000-square-foot facility to support Mercedes](#). In July 2015, Yanfeng Automotive Interiors announced plans to establish new \$55 million automotive manufacturing operations in Chattanooga to provide interior components for Volkswagen.

The South is also a booming center for tire manufacturing. One of the most recent projects is [Yokohama Tire Company's new production facility in West Point, Mississippi](#) — the \$300 million project will create 500 jobs, with future expansions expected.

### **Aerospace and Aviation**

In addition to its automotive sector, Alabama has long been a leader in aerospace manufacturing — Huntsville is famous for its aerospace R&D and major players such as NASA and Boeing. And [Airbus recently opened its first manufacturing plant in the U.S. in Mobile](#).

"This \$600-million, state-of-the-art facility is a game-changer project for both Airbus and the state of Alabama," says Boyd. "It gives Airbus a new platform to compete with arch-rival Boeing. For Alabama, it provides leverage to attract new aerospace suppliers to the state." For example, France-based Safran, which builds engines for single-aisle jets as well as landing gear, plans to build a facility near Mobile to serve the new Airbus plant.

"We believe the expansion of the aerospace cluster in Mobile will be a powerful job creator," comments Greg Canfield, secretary of the Alabama Department of Commerce. "Airbus' Alabama workforce recently numbered around 280, which will rise to 1,000 over the next three years. The initial wave of suppliers and service providers are starting out in Alabama with small operations, but we expect those to grow over time as well. This growth fits in with the Southeast's expanding aerospace corridor."

Kentucky exports in aerospace products and parts increased 15 percent for the first eight months of 2015 compared to the previous year. In Louisiana, [Bell Helicopter recently dedicated its new Lafayette Aircraft Assembly Center, which will manufacture the new Bell 505 Jet Ranger X helicopter in early 2016](#). The first modern-era aircraft assembly facility in Louisiana, the Bell Helicopter project will create more than 250 new direct and indirect jobs.

Aerospace is the number-one export in Arkansas, accounting for more than \$1.8 billion in annual sales. About 180 aviation and aerospace-related companies operate within the state, specializing in aircraft manufacturing, component manufacturing, and maintenance, repair, and overhaul. Major players include Aerojet Rocketdyne, Aviation Martin Technologies, Dassault Falcon Jet, General Dynamics, Lockheed Martin, Pratt & Whitney, and Raytheon Missile Systems. One of the reasons aerospace companies locate in Arkansas is the highly educated workforce — technical colleges offer a variety of programs in aviation fields such as airframe and power plant technology, electronics/avionics technology, and aviation management.

Notable aerospace development in Arkansas includes Galley Support Innovations' expansion in Sherwood, which will produce interior components for the aviation industry. [Dassault Falcon Jet has completed a 250,000-square-foot hangar at its Little Rock completion facility that will be dedicated to the Falcon 5X twin-jet and the ultra-long range Falcon 8X tri-jet](#). Also, in September 2015, [aerospace and defense company Aerojet Rocketdyne started construction on an expansion of its Camden facility that will create 85 new jobs](#).

The Federal Aviation Administration recently selected Mississippi State University as the location for its Unmanned Aircraft Systems (UAS) Center of Excellence. Mississippi State is also a member of the Alliance for System Safety of UAS through Research Excellence (ASSURE), along with more than 20 other member universities and more than 100 industry partners. Mississippi State will lead the way in R&D for UAS technology.

### High Technology

Over the last decade the South's economy has diversified into knowledge-based sectors such as information and computer technology. Louisiana has been successful in attracting IT firms such as IBM, CSC, CGI, CenturyLink, EA, Gameloft, and GE Capital — creating more than 5,000 new direct jobs in the software and technology sector. In the Shreveport/Bossier City area, CSC's 116,000-square-foot, next-generation IT and data center will employ 800 technology professionals at National Cyber Research Park.

Google has announced plans to build a \$600 million data center in Alabama that will be powered entirely by alternative energy, creating 100 new jobs. It will be the fourteenth data center in Google's global network and the first new center in the U.S. since 2007. Tennessee is also developing a reputation as one of the fast-growing tech regions in the country. For example, Intermedix Corporation, a provider of analytics and technology-enabled solutions for global health, plans to build an innovation lab and executive offices in Nashville. The lab will further develop the company's analytics capabilities by leveraging big data technologies to provide advanced statistical models and predictive analytics.

### Logistics and Distribution

With its abundance of transportation infrastructure and one-day proximity to nearly half the U.S. population, the South is ideally suited for logistics and distribution. Expansion of distribution facilities is especially brisk in Kentucky, Mississippi, Alabama, and Arkansas. In Alabama, for example, Korea-based LogisAll plans to open a \$4 million facility in Macon County to serve the bustling Interstate 85 automotive manufacturing corridor, anchored by the Hyundai and Kia assembly plants.

Arkansas also has a diverse and growing distribution and logistics services sector. In fact, 20 percent of the 25 largest employers in Arkansas are in the transportation services sector, including J.B. Hunt, USA Truck, FedEx, Union Pacific Railroad, PAM Transportation Services, and Dillard's. Recent announcements in Arkansas include FedEx Ground (\$52.3 million expansion, 215 workers, Little Rock); ArcBest (\$23.8 million expansion, 975 workers, Fort Smith); and Ben E. Keith Foods (\$60 million expansion, 74 workers, North Little Rock).

### Developing the Workforce of the Future

A compelling site selection factor for businesses is a high-quality, available workforce. One reason the South attracts so much business investment is the commitment by state governments to invest in high-quality, innovative, customized workforce development programs. One of these is the Kentucky Skills Network (KSN), which delivers flexible, personalized workforce services to both new and existing businesses within the state. In 2014 KSN provided training to 4,100 companies and 84,000 Kentuckians across a variety of industry sectors, including manufacturing, healthcare, information technology, energy, distribution, and research and development.

Another leading program is Louisiana Economic Development's FastStart program, which was established in 2008 to provide comprehensive, highly customized workforce solutions for eligible manufacturing and service sector employers in the state. "This job-training program has helped Louisiana attract new high-tech industry and expansions — for example, IBM in Baton Rouge, GE in New Orleans, and startups like Gameloft in New Orleans," says Boyd.

FastStart has started to develop a more sophisticated understanding of the state's workforce supply and demand needs, incorporating not only standard occupational forecasts, but also "measures and deep analyses of mastery and experience needed, migratory patterns, career pathways, and the characteristics of economic driver industries," says Gary Perilloux, communications director for Louisiana Economic Development. "This information will be used to fuel a cycle of continuous growth and improvement in state education and workforce development programs."